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...u Know Why Chains Fail? P. 31

Discount Store News®

THE NEWSPAPER OF THE DISCOUNT DEPARTMENT STORE INDUSTRY

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Heck's Bucks Trend by Opening Bigger Store; Apparel Pushed

By Betty J. Taylor

SALEM, Ohio—Heck's is giving apparel center court in a new race-track format which debuted here in a new store which, at 50,000 sq. ft., is more than 11% larger than the chain's existing units.

As in two new stores recently opened in Winchester and Christiansburg, Va., two more units scheduled to open this year, and 12 to 16 slated for 1982, the chain is bucking the trend among retailers to build smaller stores. Traditionally, Heck's stores are 43,000-45,000 sq. ft., with approximately 32,000 sq. ft. of selling space. The new units, with 12,000-sq.-ft. infields designated for apparel, have 40,000 sq. ft. of sales space, and warehouse space which has been cut in half.

"We feel with the larger stores that we are able to give our customers a little more area to shop, and give ourselves a little more chance to display and sell soft goods," said Ray Darnall, president.

"In the 40,000-sq.-ft. stores, we had to jam merchandise into the aisles, and during certain seasons it hampered the ability of the customers to shop."

By trimming the size of 7,500-sq.-ft. warehouses by 3,500 sq. ft., the chain expects more merchandise out on the floor to increase per-capita sales.

(Continued on page 46)

FedMart Shuttering 12 Stores And 2 Warehouses in Texas

SAN DIEGO—In its ongoing struggle to return to profitability, FedMart will shutter 12 stores and two major warehouses in Texas before the end of the month.

The closings will see the chain vacate stores in Brownsville, College Station, Dallas (2), Houston (3), Pasadena (2), San Antonio (2) and Victoria, and warehouses in Houston (a company-owned 119,660-sq.-ft. facility) and in Hempstead, a Houston suburb (a leased 88,-650-sq.-ft. facility). At presstime, no buyers had been announced.

The chain will not close its two El Paso stores nor its 100,-000-sq.-ft. Las Cruces, N.M., unit which will become part of the chain's Arizona division.

According to FedMart executives, the store-closing decision was made "in order to allow management to direct its full attention and all of the company's financial resources to its southern California and Arizona trading areas, where a majority of our stores are located and a greater opportunity for long-term growth exists."

In addition to its stores and

(Continued on page 50)

The Philadelphia Story: Jefferson/Ward Fails to Build a Strong Following, Image

LEVITTOWN, Pa.—Jefferson/Ward has had limited success so far in its invasion of the Greater Philadelphia market.

Nearly a year after it opened in its northernmost market, the Florida-based chain has failed to develop a strong following among area shoppers, by not developing a market identity that would substantially differentiate it from its most direct upscale discount competitor, hometown Clover.

Those observations are the result of *DSN* interviews of shoppers at the single store each chain has on Route 1 in this suburban Philadelphia market and of discussions with competitors and trade observers.

The shopper survey showed Jefferson/Ward was rated higher than Clover on only three of six performance criteria: convenient location, store appearance and helpful clerks.

Clover scored higher on the other three factors that are more critical to shoppers in judging a store: price, in-stock position and merchandise quality.

Clover's higher rating on these three-key criteria helps to explain its stronghold on mass-market consumers—the same group that is Jefferson/Ward's target.

Jefferson/Ward's failure to draw heavy traffic was noted by competitors and trade observers who consistently cited fairly empty parking lots at the discounter's 15 area stores, a situation also seen by *DSN* reporters on visits to the area during the year since the chain has been operating in the market.

Compounding Jefferson/Ward's problem has been the difficulty of wooing customers back into the Two Guys and J. M. Fields stores the chain now occupies. In their last days, those stores were so poorly stocked and maintained that shoppers were turned off.

While Jefferson/Ward has successfully revamped these—and the discounter scored highest (on the six-performance criteria test) in store appearance—many of its Philadelphia area units are stand-alone facilities, like Clover, unable to benefit from the higher traffic flow of strip centers.

One former chain source acknowledged that the discounter hasn't given low- and middle-income shoppers a reason to buy at Jefferson/Ward rather than at Clover or at Sears. By straddling both the upscale discount store and conventiona mass market department stor fields, Jefferson/Ward ha failed to be a dominant retaile in either.

The combination of poorer lo cations, the need to overcom the image and reputation of fo mer tenants and the inability t strike its own posture are th keys to the shopper survey findings that Jefferson/Ward i not seen as being sufficientl different from Clover to giv consumers a reason to switc stores.

(Jefferson/Ward's nationa expansion has been put on hol by Stephen Pistner, presiden of parent Montgomery Ward One reason is believed to b Pistner's interest in developin

(Continued on page 51)

Clover Makes Hay in Shopper Poll

Factors	CLOVER				JEFFERSON/WARD			
	Importance to Shoppers[a]		Shoppers' Judgment of Store Performance[b]		Importance to Shoppers[a]		Shoppers' Judgment of Store Performance[b]	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Low Prices	4.38	2	7.33	4	4.71	1	6.86	5
Mdse. Quality	4.80	1	7.10	5	3.71	2	7.05	3
In Stock	3.57	4	7.71	3	3.09	4	7.05	3
Convenient Location	4.00	3	8.67	1	3.52	3	8.86	2
Store Appearance	1.83	6	8.38	2	2.33	6	9.61	1
Helpful Clerks	1.90	5	5.24	6	2.38	5	5.38	6

(a) Shoppers were asked to rank the importance of the six criteria on a scale that had six as the highest and 1 as the lowest. The ranking and score is listed next to each factor.
(b) Shoppers were asked to score each store on six criteria on a scale that had 10 as the highest and 1 as the lowest. The six factors are listed in order of their ranking for each chain, along with the grade each received.

Performance Results for 15 Discounters in Latest Fiscal Year

Chain	Sales (in millions)	Net Income (add 000)	Net Income/ Sales Ratio	Pretax $ Growth/Last yr.	Five-yr. Net Income Growth	Cost of Sales	Gross margin	No. Turns	Current Ratio	Debt/ Capitalization	Leverage Factor	Return on Assets
K mart	14,204	255,611	1.7%	–30.1%	5.5%	73.3%	27.6%	3.7	1.91	46.5%	2.6X	4.2%
Wal-Mart	1,643	55,682	3.4	33.6	38.0	73.5	27.0	4.7	1.94	39.9	2.2	10.3
Zayre	1,594	18,015	1.1	– 0.8	35.2	75.8	24.2	4.3	2.40	56.7	3.2	3.2
FedMart	1,040	–6,330	—	deficit	profit to deficit	78.1	24.1	7.0	1.42	63.1	3.9	deficit
Vornado	706	– 750	—	profit to deficit	profit to deficit	70.7	31.4	5.4	2.45	40.9	2.1	deficit
King's	573	15,494	2.7	– 3.2	15.4	66.5	33.8	3.8	3.49	45.4	2.3	7.4
Caldor	563	19,748	3.5	19.0	30.4	77.4	22.6	4.9	1.92	53.0	3.2	7.2
Heck's	432	15,399	3.6	– 1.3	24.7	71.9	28.8	2.8	2.46	45.6	2.5	6.5
Cook United	423	4,227	1.0	0.8	deficit to profit	73.1	26.9	3.7	2.83	42.0	2.5	2.2
Pamida	332	3,053	0.9	1,352.5	–14.1	76.4	23.9	3.1	2.86	30.1	1.9	2.4
Ames	292	8,266	2.8	12.8	31.3	68.8	32.7	3.4	3.02	46.3	2.8	7.0
Jamesway	242	6,371	2.6	4.2	28.5	69.8	31.1	3.8	2.88	42.5	2.4	7.1
S. E. Nichols	212	3,540	1.7	17.5	deficit to profit	74.9	26.9	3.5	1.90	44.3	3.1	4.9
Gaylords	123	288	0.2	–76.0	18.5	77.1	22.9	4.0	1.55	52.5	3.5	0.6
Danners	108	450	0.4	10.6	–11.4	69.5	30.5	4.3	2.02	55.5	2.9	1.3

Source: Paine Webber Mitchell Hutchins Inc.

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Zodys Spreads North, Leases 70,000 Sq. Ft. in 7 Ex-Gold Circles

LOS ANGELES—In a move that marks its first major penetration into northern California, Zodys has leased approximately 70,000 sq. ft. in each of the seven shuttered Gold Circle stores from Cincinnati-based Federated Department Stores.

The seven units, three to open in Sacramento Oct. 21 and four in San Jose in mid-February, are expected to boost Zodys' sales in fiscal 1983 by about $50 million, according to Edward D. Solomon, chairman, president and ceo of parent Hartfield-Zodys.

The seven-unit takeover substantially accelerated 44-unit Zodys' four-year expansion program which originally called for 60 stores by January 1985, Solomon said. Now the executive expects the chain to number between 65 and 67 stores by January 1985, with eight units, including the former Gold Circle stores in San Jose, slated to open next year. By year's end the chain will have 48 units, including one store scheduled in southwest Los Angeles.

The Sacramento locations will stretch the discounter's northern boundary to about 360 miles from its base here. A single unit opened in Stockton (60 miles south of Sacramento) last October represented the chain's farthest drive north prior to the takeovers. At the present time, however, the chain has no plans to open a distribution/warehouse center in northern California to service those eight stores. The proximity to the Stockton store will also reduce advertising and distribution cost on a per-store basis.

The move into two fast-growing northern California markets allows Zodys to cluster quickly in two new market areas, while keeping down interest expenses, new escalating leases and construction costs associated with newly built stores.

Except for some merchandise changes required by the seasonal differences of northern and southern California, and irregularities in building design, the stores will be merchandised, including adjacencies, the same as Zodys' existing units.

In two of the three Sacramento stores, Zodys is actually leasing all of the former Gold Circle units, which run between 100,000 and 110,000 sq. ft. Solomon said that the chain agreed to lease the full stores in these cases because of the building configurations, but Zodys will only occupy about 70,000 sq. ft.

The chain is currently looking at "several possibilities" to sublet the remaining approximately 30,000 sq. ft. in these two units, but at presstime it was too early to tell who these tenants might be. The company's own footwear specialty division, Shoe Stop, is not a possible tenant, he said.

Legality of Heavy-Ad-Linage Discounts Up in Air

WASHINGTON—The legality of newspapers giving heavy advertisers, such as discount and department stores, volume discounts is still up in the air after the *Los Angeles Times* decided to oppose a tentative settlement of an antitrust suit brought by the Government.

The publisher of the *Times* had reached an agreement with the Federal Trade Commission, settling price discrimination charges made in a 1977 complaint which alleged that the Times Mirror Company's discount rate structure allowed large advertisers to pay substantially lower rates than competitors whose advertising volume was lower.

According to the complaint, the rate schedule provided for cumulative volume discounts based on the number of lines an advertiser purchased annually. Allegedly, the rate structure and resulting discriminatory prices adversely affected competition among retailers buying advertising space.

Under the agreement, the company could, if it wished, continue to use a volume discount pricing structure for most retail advertising, if it complied with the terms of a specified formula.

The formula would have been based on costs. For example, the newspaper offered certain large volume buyers discounts of up to 40% off the rate charged to purchasers of 500 lines. Under the new formula, the maximum discount would have been reduced to 27%.

The Times Mirror would have been able to use other rate systems, if it chose, provided they were cost-justified.

Surprisingly, shortly after the FTC announced the agreement, Tom Johnson, publisher of the *Los Angeles Times*, said he planned to argue that the settlement and the antitrust charges should be discarded.

He noted that the agreement was negotiated last year "when distinctly different regulatory and marketplace conditions existed." He added: "To be required to adopt a fixed index of rates while broadcasters and others are free to establish completely flexible rates will be unfair and discriminatory. . . ."

The immediate effect of the agreement could have been an increase in ad revenues, if discounts were reduced. But in the long run, the *Times* might have lost funds because of more attractive discounts offered by competitors.

Giving discounts to large advertisers such as department and discount stores is, of course, common practice by newspapers.

Nov. 16 Deadline For DISC Entries

NEW YORK—Entries are now being accepted for the 1982 Discounters in Service to the Community (DISC) Award.

For the fourth year in a row, *Discount Store News* is getting ready to honor a discount store chain for its outstanding contribution to community service.

In 1979, Jamesway won the award for its program to support the muscular dystrophy fund-raising efforts. In 1980, Target was recognized for comprehensive community service programs in its markets. The 1981 winner was Barkers (since acquired by King's) for its grass-roots campaign to fund local needs.

Now it's your chain's chance to win recognition for its valuable contributions to community enrichment.

Entries, which summarize your program in 50 to 100 words (submit seven copies please), should be sent to Doug Stinson, Editor, *Discount Store News*, 425 Park Ave., New York, N.Y. 10022. All entries must be received by Nov. 16, 1981. A panel of distinguished discounters will judge all of the entries.

Goldman's Closing Remaining Stores; Will Focus on Real Estate Holdings

DAYTON, Ohio—Goldman's has moved out of the retailing field with the closing of its remaining six stores here. The company will concentrate on its real estate holdings.

In the first half of 1981, Goldman's cut its store count from 10 to six: three stores in suburban Dayton—in Centerville, Moraine and New Lebanon—were sold to K mart and are now being renovated for a Nov. 12 opening. A fourth in suburban Kettering remains empty.

At presstime, no buyer had been announced for the remaining stores which will close by Christmas, although sources said Gold Circle and K mart were among the interested parties.

K mart denied the report, and Dave Snell, senior vice president of marketing for Gold Circle, said: "While we have been talking to Goldman's for quite some time, we don't consider ourselves close to making any deals for the six stores."

According to a company spokesman, Goldman's had expected to show a profit in the first four months of 1981, but did not. The chain also posted losses in both 1979 and 1980. The shrinking size of the community and the sluggish local economy were blamed for Goldman's poor performance.

According to Dun & Bradstreet figures, the privately owned discount stores dropped from sales of $19 million in 1978 to the $6 million posted both in 1979 and 1980.

Woolco Abandons Plans To Test Own Visa Card

NEW YORK—Woolco has decided not to proceed with a test of its own Visa card, after talks with several banks.

"We decided that the risks outweigh the perceived benefits," said Woolco's director of credit Alan Becker.

Woolco had already received permission from Visa to test the chain's own card in a "blue band program" which would have put Woolco's name in the blue band of the Visa card.

The chain considered testing a Visa card with the Woolco name on it as a "hybrid" card which would combine the advantages of a bank card and the chain's private card.

As is the case with Woolco's own credit card, a specialized Visa would give Woolco a customer base on file which it does not obtain from ordinary bank cards. Woolco would also be able to include stuffers when billing customers, advertising Woolco goods. By having the chain name on a bank card, Becker said, one benefit would be increased customer recognition.

The basic advantage to the bank would be development of a nationwide customer base through Woolco, Becker said.

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Spotlight on: SPARC

Industry's Top Suppliers Are Honored

The industry's top suppliers were honored at the fourth annual SPARC (Supplier Performance Award by Retail Category) banquet in Chicago. Frank Shanower, vp and gmm, Fishers Big Wheel, emceed the event which also saw Maurice Segall (inset left), president and ceo of Zayre, named Discounter of the Year, and Herbert H. Goldberger (inset right), past chairman of Hills, inducted into the Discounting Hall of Fame. See pp. 39-41 for stories, other photos. *(DSN photos)*

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NEVERMOWER? The $100 promotional mower may join the dodo and Judge Crater, according to *DSN*'s Lawn and Garden Supplement. (Pp. 23-30)

TAKE CARE. The Discounter Management Development Series tells why chains fail. (P. 31)

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Discounters Best Old-liners In Shortage, Markup Areas

NEW YORK—Discount stores fared slightly better than conventional department stores during the 1980-81 mini-recession, reducing stock shortages in 16 merchandise categories while boosting markups in 14.

But, both groups of retailers saw markdowns increase and stock turns drop for almost all of the 16 categories; discounters also had lower gross margins for a greater number of categories than department stores, although each retailer was able to boost margins for seven merchandise areas.

An analysis of the merchandising sections of two reports showed that discount stores and department stores overall performed poorer in soft goods, the area each relies on for the greatest contribution to sales and earnings.

The studies are the National Mass Retailing Institute's Operational Results of Self-Service Discount Department Stores 1980-81 (which was compiled by Cornell University) and the National Retail Merchants Association 1981 MOR study for 1980.

The 1980-81 mini-recession, which was a continuation of the economic downturn that occurred in 1979-80, resulted in both types of retailers trying to boost their bottom lines by raising merchandise markups slightly and cutting costs in operational areas.

The higher markups showed up in 14 categories for discounters and eight for department stores. They ranged from gains of 1.7% in hobby, recreational and transportation to 10.8% for stationery and accessories for discounters; and from 0.2% for furniture and home furnishings to 1.8% for housewares for department stores.

In the soft goods area, discounters boosted markups for women's apparel 7.4%; men's wear (7.5%), and children's wear (7.9%). Department stores' markup increased only for men's wear (0.8%) and dropped for ladies' apparel and accessories (0.2%) and children's wear (0.2%).

While discounters were able to cut stock shortages in all 16 categories, department stores showed reductions only in hobby, recreation and transportation, health and beauty aids, and stationery. (The shortages more than doubled in major ap-

(Continued on page 51)

Discounters vs. Conventional Dept. Stores

Category	Markup[1] Discount Stores	Markup[1] Dept. Stores	Markdown[2] Discount Stores	Markdown[2] Dept. stores	Stock Shortage Discount Stores	Stock Shortage Dept. Stores	Gross Margin Discount Stores	Gross Margin Dept. Stores	Turns Discount Stores	Turns Dept. Stores	Sales as % of Total Volume[3] Discount Stores	Sales as % of Total Volume[3] Dept. Stores
Auto Accessories	30.2%	N.A.	7.5%	N.A	0.9%	N.A.	24.4%	N.A	1.1	N.A.	5.3%	N.A
Major Appliances	26.3	26.8%	11.5	6.9%	1.6	2.5%	21.6	22.8%	1.0	3.9%	0.8	1.2%
Home Electronics[a]	26.6	26.7	10.0	6.2	0.8	2.3	18.0	21.8	1.8	3.1	2.5	2.8
Small Appliances	23.9	26.3	8.4	6.9	1.8	2.5	17.1	21.9	32.7	2.9	2.9	1.2
Housewares	35.8	45.5	7.9	8.3	0.5	1.9	30.8	41.9	2.6	2.0	6.3	1.8
Hardware	35.8	38.4	12.3	7.9	1.9	2.3	27.4	30.6	1.4	2.2	4.3	0.3
Hobby, Recreational & Transportation[b]	29.5	42.5	6.6	14.1	2.3	3.9	23.8	33.8	0.8	1.9	11.2	0.7
Toys	34.9	39.4	7.5	12.4	1.5	3.2	28.9	33.7	1.8	2.4	5.7	0.5
Health & Beauty Aids	27.1	39.5	5.1	1.0	1.7	1.2	23.0	38.8	3.6	3.3	7.2	6.0
Women's Apparel & Accessories[c]	44.8	50.8	13.7	17.7	2.0	3.4	35.7	45.2	1.2	4.2	13.4	22.8
Men's Apparel & Accessories	41.8	50.2	9.9	11.4	1.4	2.7	34.4	44.3	5.4	3.2	8.1	11.8
Children's Wear	40.6	49.0	9.2	12.3	1.0	2.2	34.0	45.4	2.9	3.4	7.4	6.1
Household Textiles[d]	39.9	47.6	9.1	8.3	0.8	1.6	32.1	44.7	2.2	2.1	7.1	6.3
Furniture, Home Furnishings & Accessories	42.1	48.2	12.7	10.6	0.1	1.2	33.5	44.2	14.2	1.8	2.1	9.6
Stationery Supplies & Accessories	40.9	47.4	6.6	6.2	0.8	2.0	36.3	44.1	6.0	3.1	2.6	1.4
Home Improvement	36.7	N.A.	13.2	N.A.	1.7	N.A.	29.4	N.A.	8.2	N.A.	2.1	N.A.

Discount store figures are combined dollar averages; (Conventional) department store figures are medians. N.A.—Not Available.

(1) Cumulative figures, including transportation costs. (2) Figures include employee discounts. (3) Discount store figures are percentages of total sales for chains with sales in the specific departments; department store figures are percentages of total consolidated store volume

(a) Discount store figures exclude records; department store figures include records. (b) Discount store figures include books, records, photography, luggage, art supplies and sporting goods; department store figures are for sporting goods. Department store median figures for books, art supplies and photography are: markup, 33.1%; markdown, 4.5%; stock shortage, 2.3%; gross margin, 30.8%; turns, 2.2, and sales percentage, 0.7%. (c) Discount store figures include intimate apparel and accessories, which aren't included in department store statistics. Latter's median figures are: markup, 51.0%; markdown, 7.4%; stock shortage, 2.7%; gross margin, 49.0%; turns, 3.2, and sales percentage, 11.2%. (d) Discount store figures don't include the bath shop, which is part of department store statistics.

Source—For discount store figures: NMRI's Operating Results of Self-Service Discount Department Stores, 1980-81; For (conventional) department stores: NRMA's 1981 MOR report of 1980 Merchandising and Operating Results.

Though Franchised Cosmetics Gain, Low-end Lines Are Still Mainstay

Special DSN H&BA Report

Higher-priced franchised cosmetics are moving steadily into a field that was once dominated by budget brands, but discount chains' bread-and-butter business continues to be in low-end, fast-turning cosmetics.

With gross margin return on investment weighing more heavily in their minds these days, buyers are carefully comparing the volume sales of the low-end brands with the more attractive margins in the trade-up lines. So, while buyers agree they are willing to make room in the category for both the budget lines and their step-up sisters, the changes will come slowly.

Steve Hoffman, cosmetics buyer for Caldor, revises his wall area every six months and thoroughly researches each line before it is put into the stores. At Caldor, budget items are sold in the health and beauty aids department to build tonnage sales, while franchised products are pegged against the wall. The cosmetics face a glass display of fragrances and jewelry, all found at the front of the store. Hoffman said that he likes to have the counters as free as possible so cosmeticians can apply makeup in an uncluttered area.

The presence of upscale cosmetics doesn't stop Hoffman from looking to build volume sales in low-priced goods. He recently added Hazel Bishop lipsticks and nail polish that will retail for 89¢. He said that

(Continued on page 45)

New Distribution Center to Mark Wal-Mart's Biggest Capital Payout

CULLMAN, Ala.—Wal-Mart will build its sixth and largest distribution center in this northern Alabama city.

The 902,000-sq.-ft. facility will represent the largest single capital expenditure ever planned by Wal-Mart, with a total cost (including equipment) of approximately $24 million. It will be financed with a combination of industrial development bonds ($15 million to $20 million, depending on interest rates.

Setup Is Refined

The chain's normal general merchandise distribution could be handled by a smaller facility—600,000 sq. ft., the same as the largest existing distribution center. But the chain needs to duplicate, for the first time, the specialty distribution capability of its Bentonville, Ark., center.

(Continued on page 46)

Upgraded-Apparel Emphasis Highlights 2 Openings

Fishers Takes Aim At Younger Patrons

NEW PHILADELPHIA, Ohio—Sporting the look of the chain's newest prototype, a new Fishers Big Wheel here in northeastern Ohio has moved apparel to the race-track infield and given junior sportswear, children's and young men's wear key exposure at the store front.

Although similar to the 44,000-sq.-ft. newly built Big Wheels in Paw Paw and Howell, Mich., this 40,000-sq.-ft. converted Conley's exemplifies the chain's new thrust to emphasize apparel, particularly for the young.

The two new Michigan stores still retain health and beauty aids in the store's center, while this converted store has pushed H&BA across the race-track aisle to the front right quadrant. "This will be the direction we will be going in in the future, with clothing in the center," said vp Jim Welty.

But like the newly built prototypes, the Ohio store is more fashion conscious—gray carpeted islands, vibrant red and magenta stripes on off-white walls, and ceiling-hung photo

(Continued on page 46)

Upgraded fixturing at Fishers Big Wheel, New Philadelphia, Ohio, included use of more waterfall extenders to display fashion apparel on the race-track aisle for greater consumer visibility. *(DSN photo)*

Nichols Softening Hard-Lines Image

By Frank Cavaliere

WILLIAMSPORT, Pa.—With the opening of its newest store here, Nichols is hoping to soften its hard line image and capture a bigger piece of its markets' apparel business.

"We are now repositioning ourselves as a department store with discount prices," said Nichols' soft lines merchandise manager Ed Dennenberg.

Here, in this small, central Pennsylvania city which is best known for its annual hosting of the Little League World Series, chain executives hope that their soft goods push will prove big-league enough to draw customers away from nearby competitors such as retail gaint K mart.

The 86,000-sq.-ft. unit opened in late August on a site formerly occupied by a Britts store. Located in the Loyal Plaza shopping center, the store is just up the mall from K mart, separated by only a handful of smaller specialty stores.

The proximity of the retail

(Continued on page 50)

Jefferson/Ward vs. Clover in Philly Area

(Continued from page 1)

a long-range merchandising and management program for the discounter that would clearly distinguish it from competitors.

(Jefferson/Ward executives declined to comment on *DSN*'s findings except to note that the new management team was studying changes in the discounter's operations.

(While Jefferson/Ward has stood pat in the Philadelphia area, Clover has been revamping its stores to meet the increased competition. Its efforts include adding name-brand apparel and developing a tabletop area in housewares.)

The shopper survey also showed how similar both chains are perceived despite Clover's better ranking for price, in-stock position and merchandise quality.

When the grades (using a rating from 10 as the highest to 1 as the lowest) used for the rankings are compared, Clover had a higher score than Jefferson/Ward for in-stock position despite the fact that both were ranked third on this criteria. Both chains received their lowest grade for helpful clerks, although Jefferson/Ward's score was higher than Clover's.

The two chains' performance as perceived by shoppers is at sharp variance with the importance of each criteria to customers in judging where they will shop.

Clover customers, for example, were most interested in merchandise quality followed by low prices, convenient location, in-stock, helpful clerks and store appearance.

A similar situation held for Jefferson/Ward, with its shoppers most interested in low price, followed by merchandise quality, convenient location, in-stock position, helpful clerks and then store appearance.

Interestingly, both discounters tended to earn their highest grades for the criteria judged least important by shoppers. The reverse was also true, with Clover shoppers most concerned about merchandise quality but ranking the discounter's ability to deliver on this criteria fifth. Jefferson/Ward's shoppers said low price was their top priority, but rated the store's ability to deliver on this point fifth.

The low ranking both discounters received for low price reflects the fact that their prices tend to be the highest among the four Route 1 discounters checked by *DSN*.

K mart tended to have the lowest prices, followed by Woolco.

The similarity between Clover and Jefferson/Ward is seen in other measurements. The average ticket of Clover shoppers surveyed was $16.83, while it was $16.50 among Jefferson/Ward customers.

Middle-income families provided the main shoppers at the two stores. Both discounters had their greatest concentration of customers in the $20,000-$40,000 bracket, with Clover's percentage at 61.9% and Jefferson/Ward's at 47.6%.

The key difference was in the lower-income and higher-income groupings.

Nearly a third of the shoppers intercepted outside of Clover reported their incomes were under $20,000, while roughly 5% said their annual income was over $40,000. At Jefferson/Ward, a third of the shoppers interviewed earned less than $20,000 but nearly 20% were in the $40,000-plus bracket.

Philly-Area Prices

Item	Clover	Woolco	K mart	Jefferson/Ward
TOYS				
Monopoly #9	$ 7.99	OOS	$ 5.92	$ 6.99
Sorry #390	8.49	$ 6.97	6.67	8.49
Fisher-Price Activity Center	14.49	9.76	NA	12.99
Boggle #104	7.99	5.67	5.94	6.99
Barbie, Sun Loving	5.49	NA	5.37	4.49
Connect Four	7.99	5.94	5.97	7.99
Merlin	34.99	28.76	NA	29.99
Simon, original design	29.99	33.97	NA	29.99
SPORTING GOODS				
Coleman Stndrd 2-burning stve #425	26.99	29.97	24.97	NA
Coleman Stndrd 2-mantle Lntrn #220	26.99	29.97	26.96	23.44
Coleman Propane 2-mntl Lntrn #5114	21.99	19.97	26.97	22.99
Coleman Fuel 1 Gal.	4.49	3.49	NA	3.49
Coleman Propane Cylinder	2.69	NA	2.69	2.69
Wilson Tennis T-2000	39.99	NA	NA	44.00
Wilson Tennis Balls (3 yellow)	2.89	NA	2.19	NA
Wilson Duke Football	21.99	NA	NA	24.99
HOUSEWARES				
Corning Glass Expressions	59.99	39.77	39.97	49.99
Corning Ware Menu-ette set	24.99*	25.17	22.97	OOS
ELECTRIC HOUSEWARES				
GE Toaster Oven T-93	39.99	28.97	OOS	33.99
GE Toaster Oven T-126	54.99	NA	NA	44.99
GE Food Processor FP-1	56.99	OOS	44.97	44.99
Moulinex La Machine II	69.99	NA	NA	49.99
Wear-Ever Popcorn Pumper	29.99	19.94	NA	29.99
Presto PopCornNow	29.99	21.74	NA	29.99
No. Amer. Mr. Coffee MP-100	24.99	NA	NA	27.99
GE drip coffeemaker DCM 15	42.99	42.97	35 86	36.99
GE drip coffeemaker DCM 10	29.99	25.97	25.97	29.99
Hamilton Beach 2-Spd Fd Prcssr #702	49.99	OOS	NA	54.99
Proctor Silex 2-Slice Toaster T214W	14.99	15.97	NA	NA
GE Versatron Oven CT0200	89.99	NA	NA	79.99
PERSONAL CARE				
Good Air Ecologizer CA/90	29.99	25.88	26.87	29.99
Conair Pro 1250(095)	24.99	17.70	17.70	19.99
Gillette Body + Curl	14.99	10.99	14.97	NA
Clairol Foot Fixer	46.99	39.77	33.84	39.99
H&BA				
Cover Girl Makeup, 1 oz.	2.49	2.33	2.23	2.37
J&J No More Tears, 11 oz.	2.49	2.27	1.86	2.69
Noxzema, 10 oz.	2.29	1.77	1.78	2.99
Right Guard, 10-oz. aerosol	3.19	2.97	2.84	2.49
Contac, 10-Capsule Pack	1.59	1.67	OOS	1.09
Contac, 20-Capsule Pack	NA	2.29	2.28	2.79
Listerine, 18 oz.	NA	1.45	1.71	1.99
Listerine, 24 oz.	2.59	1.64	1.94	2.39
Oil of Olay, 4 oz.	3.79	3.29	2.78	3.79
Crest, 6.4 oz.	1.49	0.99	1.66	1.37
Colgate, 7 oz.	1.49	NA	1.34	1.39
Vaseline Intensive Care, 10 oz.	1.89	1.87	1.37	2.09
HARDWARE				
Black & Decker Saw #7300	32.99	24.88	19.84	NA
Black & Decker Drill #7127	24.99	23.88	19.70	NA
Black & Decker Jigsaw #7508	29.99	NA	22.89	NA
Black & Decker Dustbuster	34.99	32.99	26.77	NA

*NA—Not available. OOS—Out of stock. *Sale price.*

"BIC SHAVERS HAVE REALLY HELPED US CLEAN UP."

Bill Wood
VP and General Manager
Wellby Super Drug Stores.

"Every time we've advertised Bic Shavers, we've ended up with a lot of extra customers. (Especially when we've used coupons, or run a price special.) In our opinion, the Bic Shaver is a great promotional item. It really works."

SHOULDN'T YOU REPLACE THE BLADES THAT AREN'T SELLING WITH THE SHAVER THAT IS?

BIC® shaver

Discounters Outdo

(Continued from page 3)

pliances and went up 47.1% in small electrics for department stores.)

Both retailers' poorer performance was evident in markdowns, where discounters had 13 categories with higher markdowns than a year ago while department stores had higher markdowns in 12. Discounters reduced markdowns for three categories (housewares, H&BA and stationery), while department stores did the same for two (men's apparel and children's wear).

Gross margins went up in seven categories each for discounters and department stores, but fell in nine for discounters (auto accessories, home electronics, small appliances, housewares, hardware, women's apparel, men's wear, children's wear, and home improvement) and four for department stores (home electronics, small appliances, hardware and furniture) and showed no change in three others (housewares, toys and women's apparel). The margin declines were much higher for department stores than discounters, hitting a 7.2% high in auto accessories for discounters and 12.4% in small electrics for department stores.

Woolco

(Continued from page 2)

as business could be generated in locales where the bank was unknown.

Woolco currently has nearly 1.8 million of its own credit cards in circulation, which brought in $195 million in sales last year by one report, while bank cards accounted for about $250 million in sales. Total sales for United States and Canada Woolcos for the last fiscal year were $3.1 billion. Woolco has had its own credit card since 1962.

In negotiations with banks, Becker said, some were willing to give Woolco a break in the service charge normally charged to merchants, while others wanted a premium paid for Woolco's inclusion on the card. In the end, "there weren't enough benefits for us to outweigh the risk" of starting a new card program, Becker said.

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Significant Tax Benefits Will Go Into Effect

By Stephanie M. Shern
Partner, Arthur Young & Company

[Second of two articles]

Significant tax benefits will accrue to individuals, as well as to the business community, from the Economic Recovery Act of 1981.

Some of the highlights, gleaned from Arthur Young & Company's comprehensive analysis, called *Economic Recovery Tax Act of 1981*, were described in the Oct. 5 issue of *Discount Store News*. Here are additional ones:

Self-employed (Keogh or HR-10) Retirement Plans

Effective for taxable years beginning after Dec. 31, 1981, the new tax law changes many of the rules concerning Keogh, retirement plans maintained by Subchapter S corporations, and simplified employee pensions (SEPs).

- The deduction limit to these defined contribution plans is increased to 15% of earnings, up to a maximum deduction of $15,000 (formerly $7,500). Correspondingly, the maximum amount of compensation taken into account in determining permitted annual benefits accruals is increased to $100,000 (formerly $50,000).

There are also several other provisions affecting individuals, including incentive stock options, the exclusion of interest on the "All Savers" certificate, and several others.

Let's turn now to the impact of the new tax act on LIFO.

The Last In First Out (LIFO) inventory method provides one of the best ways to reduce the income taxes that result from inflation; however, many businesses cannot, or do not, use the LIFO method because of the administrative burden involved. The new tax legislation, the Economic Recovery Act of 1981, makes a number of changes to ease those burdens:

- **Single Pool:** One obstacle to using LIFO, which is particularly troublesome to small businesses, is that the IRS requires wholesalers, retailers, jobbers, and distributors to maintain separate LIFO inventory accounts or "pools" for each major product line. Under the act, qualifying small businesses—those with average annual gross receipts for the preceding three years of $2,000,000 or less—can elect under special rules to use a single dollar-value LIFO pool. This rule applies to taxable years beginning after Dec. 31, 1981.
- **Inventory Adjustments:** Businesses that use LIFO must value their inventories at original cost. Any reduction of inventories due to obsolescence, market declines, etc., must be restored to its original cost.

Under current rules, taxpayers have to report the resulting adjustment as taxable income in the year prior to their adoption of LIFO. Under the act, they must take the adjustment into income over a three-year period, beginning with the year LIFO is elected. This rule applies to taxable years beginning after Dec. 31, 1981.

- **Government Price Indices:** Many inventory accounting systems cannot readily provide the price indices necessary to make the various LIFO calculations. Under proposed IRS regulations, if a business wants to use a Government index, rather than one developed internally, it can use only 80% of the price change reflected by the index, not the full percentage.
- **Conformity:** There was some discussion about abolishing the conformity rule, but in light of all the other tax cuts, its repeal was deemed to be too costly at this time.
- **Ideas To Consider:** Taxpayers who use LIFO can make significant disclosures of non-LIFO information under recently published IRS regulations. Taxpayers who want to use LIFO, but are concerned about its effect on financial reporting, should review these regulations.

(Further information on these and other provisions is provided in detail in Arthur Young & Company's report, *Economic Recovery Tax Act of 1981*. Please write to me in care of Arthur Young, 277 Park Ave., New York, N.Y. 10017, for a copy of this publication.

Arthur Young & Company is an international accounting firm which provides accounting and auditing, tax and management consulting services to a wide variety of clients, large and small, in virtually every type of business.)

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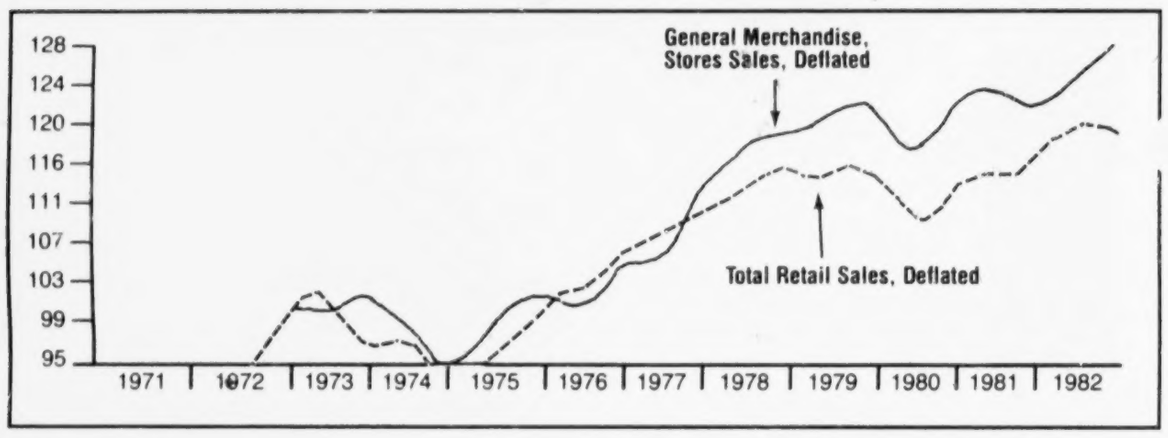
Stephanie Shern, C.P.A., is a former chairman of the New York State Society of Certified Accountants' retail accounting committee, for which she has conducted various seminars, and is a member of the board of the Metropolitan (New York) Retail Financial Executives Association. She is also a member of the National Mass Retailing Institute, the National Retail Merchants Association and the American Institute of Certified Public Accountants.

L/F Econocycle

Discounters 'Ease' Into Fourth Quarter With Projected 3% October Sales Gain



The nation's key discount stores closed their books on a solid 5% gain in third-quarter business, according to just-released findings from the L/F computer model.

The new *DSN* discount store index (above), is now forecasting a slight easing of period-to-period gains before discount sales swing sharply upward again in early 1982.

As it appears now, discounters may be facing a more difficult task of generating gains comparable to those of other leading retail groups because of last year's generally solid sales performances.

The L/F Econocycle forecast for October projects a 3% sales gain. This compares with an expected 6%-plus gain for department store operators, a startling near-6% jump in food store business and a solid 4%-plus gain for apparel specialists as they head into the "Golden Quarter" of 1981.

General retailing is also expected to roll along at roughly a 4% rate-of-gain over the next three months, the latest Econocycle figures indicate (below).

As the year starts to "wind down" and retail activity girds for the annual year-end sell-off surge, the general retail economy appears relatively sound, Econocycle statistics suggest.

With large sectors like grocery/supermarket, apparel and department stores promising above-par increases, the "drag" from slower-performers (like eat-out, drug, home building) should be only minimal.

General merchandising overall (GAF) just posted a 4%-plus gain for the third quarter, and general merchandisers filed a 5%-plus third period.

Over the next three months, discount store sales are expected to stay ahead of 1980—heading for at least a 2% gain over fourth-quarter volume last year, according to current projections.

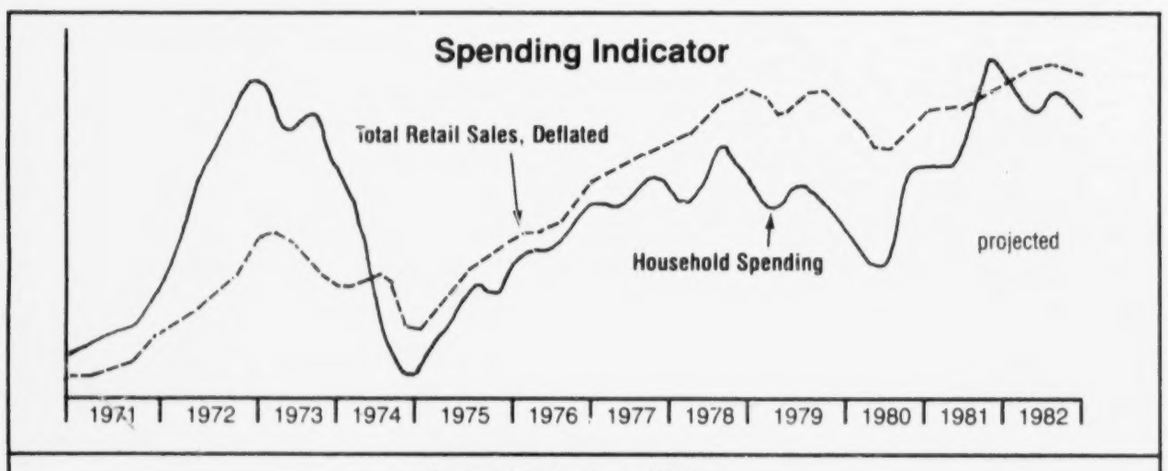
Strong regional discount chains—led by Wal-Mart in the Southeast—have outperformed the industry in general.

As expected, building supply/home center retailers are downtrending into break-even and minus sales comparison figures, starting this month. (These depressed figures are, of course, largely attributable to the heavy negative impact of home-building construction activities, which are now almost nonexistent in most sections of the country.)

General Merchandise/Discount

	Sales Change By Quarter								12-Month % Change		
	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81 1Q %	'81 2Q %	'81* 3Q %	'81* 4Q %	1979 %	1980 %	1981* %
Sales include Inflation	9.1	4.8	4.3	5.8	7.9	11.8	10.6	7.0	9	6	9
Real sales (Deflated)*	1.9	−2.4	−3.4	−2.0	0.9	5.2	5.2	1.6	3	−1	3

Base = June 1981 Sales
*Projected



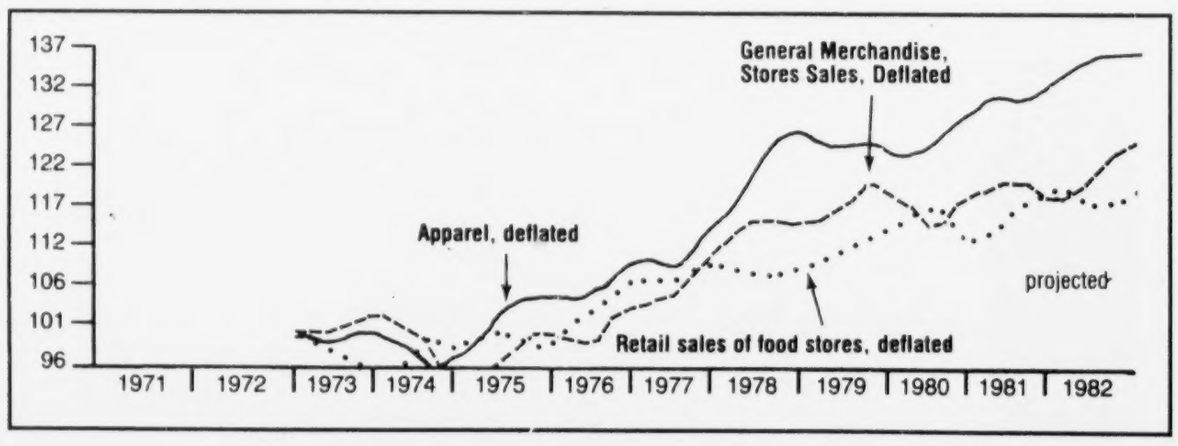
Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	− 8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	− 9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	− 1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q	10.2	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	11.9	10.5	11.9	15.4	11.1	8.8	8.2	11.8	10.4
	3Q*	10.3	7.9	11.9	13.9	9.7	7.2	8.2	10.6	9.3
	4Q*	9.4	7.5	9.5	5.5	6.3	7.2	7.2	7.0	7.1
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	6.0	9.0	10.0
	1980	7.0	11.0	9.0	− 3.0	12.0	5.0	5.0	6.0	5.0
	1981*	10.0	9.0	10.0	11.0	9.0	8.0	8.0	9.0	9.0

Real Sales (Deflated)*
% Change By Quarter

1980	1Q	− 1.2	5.8	0.0	− 2.6	3.8	4.9	− 1.4	1.9	1.8
	2Q	− 5.0	4.9	− 0.1	−17.6	2.0	− 3.4	0.5	− 2.4	− 2.0
	3Q	− 4.2	2.0	− 0.9	−18.5	0.5	− 5.8	− 0.2	− 3.4	− 3.3
	4Q	− 2.9	− 0.6	− 1.8	−10.4	3.9	− 1.1	1.5	− 2.0	− 1.1
1981	1Q	0.7	− 1.4	− 2.1	− 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.4	0.3	2.8	6.3	1.2	3.1	4.0	5.2	4.5
	3Q*	3.4	2.6	3.9	5.1	1.4	2.3	4.7	5.2	4.5
	4Q*	4.0	5.8	2.6	− 2.7	− 0.5	0.5	4.7	1.6	2.1
% change 12 mos.	1979	1.0	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980	− 3.0	3.0	− 0.7	−12.0	2.0	− 1.0	0.1	− 1.0	− 1.0
	1981*	3.0	2.0	2.0	2.0	0.6	2.0	5.0	3.0	3.0

Base = June 1981 Sales
*Projected



About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.